

Agenda

24 Monday

- CBRT to announce capacity utilization rate for September.
- CBRT to announce real sector confidence index for September.
- Treasury to hold 10-year fixed coupon auctions.

25 Tuesday

- Ministry of Culture and Tourism to announce tourism statistics for August.
- CBRT to announce MPC's meeting minutes.
- Treasury to re-issue 12-month zero-coupon bond, and issue a two-year fixed-coupon bond.
- U.S., September Conference Board consumer confidence index.

26 Wednesday

- Treasury to pay down TRY 6.4bn (USD 3.5bn) in debt.
- U.S., August new home sales figures.

27 Thursday

- Eurozone, September business climate indicator.
- U.S., jobless claims.
- U.S., August durable goods orders figures.
- U.S., 2Q12 GDP figures.
- U.S., August pending home sales figures.

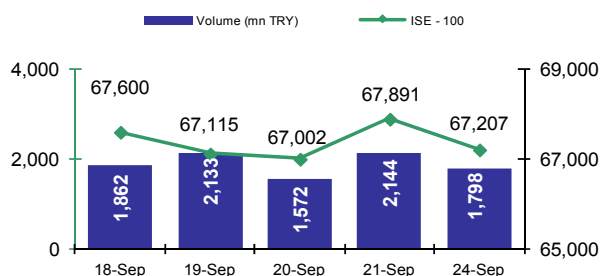
28 Friday

- TurkStat to announce foreign trade figures for August.
- Treasury to announce domestic borrowing strategy for October-December.
- Eurozone, September CPI figures.
- U.S., August personal income and spendings figures.
- U.S., September second Michigan sentiment index figures.

Outlook:

Euro zone debt crisis and free mileage:

Good morning, Yesterday saw heavy sell-offs in the global markets due to the unresolved Euro zone crisis, whereas at home the new tax package had a more pronounced negative effect, especially on the auto stocks (TOASO.TI) -4.69%, (FROTO.TI) -2.13% and (DOAS.TI) -4.25, while Anadolu Efes (AEFES.TI), the only listed alcoholic beverage producer lost 3.00%. The new tax package is also certain to increase pressure on inflation, as well as the 4% growth target set by the government. The ISE regressed 1.01% to close at 67,207 on the back of a TRY 1.8bn volume. The sell-offs intensified in the second session due to the decrease in September CUR figures from the prior month. Today, the accustomed travel season between European leaders commences, with Merkel meeting ECB head Mario Draghi, while tomorrow, Merkel meets with IMF Head Christine Lagarde, and we can only wonder what these will entail. Today, we expect a positive opening in the ISE, and since there are no domestic news flows, investors will be following international ones, as well as sector/corporate-specific developments.



Indices (TRY)	Previous	Last	Chg.	YTD
ISE-100	67,891	67,207	-1.01%	31.09%
ISE-30	83,281	82,470	-0.97%	33.67%
ISE-Financial	96,622	95,548	-1.11%	34.68%
ISE-Industrial	58,632	57,939	-1.18%	20.10%
ISE-Services	44,874	44,773	-0.22%	30.54%

Money Market:

The bullish trend in the lira halted yesterday as the local currency weakened 0.18% to close at 1.7979. Additionally, it appreciated by 0.04% against the basket composed of \$0.50 and €0.50. Furthermore, the local fixed income market was negative after SCT hikes. The two-year benchmark bond traded within a range of 7.46% - 7.56%, ending up at 7.54%, thus 9bps higher its previous finish.

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
ORGE	17.19	BALAT	-19.59	GARAN	346,031,518
ESCOM	6.78	KUYAS	-19.21	ISCTR	238,112,525
FLAP	6.41	ACSEL	-13.76	VAKBN	236,088,566
HITITY	5.65	BRKSN	-7.61	HALKB	89,399,487
ATAC	5.31	MERIT	-5.77	YKBK	76,565,940

Domestic Headlines:

SA capacity utilization remains at two-year low. At 72.8%, the seasonally -adjusted capacity utilization rate (CUR) remained flat in September over August. It is at the lowest level since October 2010. Meanwhile, unadjusted CUR declined 2.2 percentage points in September over a year ago. The 6.2 pps decline in capacity utilization in investment goods manufacturing merits particular attention. While capacity utilization for durable consumption goods manufacturing eased 0.9 pp over a year ago, that of non-durable goods rose by 0.9 pp to 72.8%.

The decline in motor vehicle manufacturing was a notable 11.5 pps over a year ago to 67.2%, while that of chemical manufacturing eased 4.4 pp to 78.3%. The decline in motor vehicle manufacturing was 6.7 pp in August, clearly indicating continued weakness in the sector, related to low domestic and European demand.

In Q3 capacity utilization in seasonally-adjusted terms declined 1.4 pp to 72.9% over Q2, indicating manufacturing weakness in the current quarter. We retain our 1.6% GDP growth forecast for the full year, while expecting 4% growth for next year, as the effect of recent CBRT easing, both in average cost of CBRT funding since early January and ON lending rate cuts will likely be felt in 2013.

We maintain our view that the bank will likely use a relatively wide interest rate corridor accompanied by the new ROC application, in order to maintain lira stability, especially after the tax hikes announced over the weekend. >>>

Money Market	Previous	Last	Pr. Mn	YE11
O/N Repo (%)	5.16	5.12	6.11	10.55
Euro Bond (30 year, \$)	188.88	187.00	163.00	164.00
Bond (Benchmark, %)	7.45	7.54	7.81	11.14

Currency	Previous	Last	Chg.	YTD
US\$	1.7915	1.7985	0.39%	-4.87%
Euro	2.3255	2.3215	-0.17%	-5.15%
Euro/Dolar	1.2981	1.29123	-0.53%	-0.22%

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	111.4	109.8	-1.46%	2.44%
Oil (NYMEX future, \$)	92.9	91.9	-1.11%	-7.83%
Gold (Ounce, \$)	1,773.5	1,762.3	-0.63%	12.58%
Silver (XAG, \$)	34.5	34.0	-1.46%	21.07%

Şeker Funds	Previous	Last*	Chg.	YTD
Şekerbank A T. Shares	0.264117	0.262385	-0.66%	17.78%
Şekerbank B T. Bond&Bill	0.019764	0.019755	-0.05%	1.57%
Şekerbank B T. Liquid	0.815516	0.815625	0.01%	6.02%
Şeker Yat. A T. Mix	0.015088	0.015046	-0.28%	-4.92%
Şeker Yat. B T. Gold	0.018149	0.018050	-0.55%	1.79%
Şekerbank B T. Short T. Bond&Bill	0.010069	0.010070	0.01%	-

*Prices as of 25-Sep-12

>>> Recall that we calculate a 0.5 pp direct impact of the new measures on inflation shared by September and October, and that there are significant upside risks to the CBRT's 6.2% year-end inflation forecast. Our new inflation forecast stands at 7.1%. In other words, the space for further cuts in the ON lending rate, and the decline in loan rates through this channel, is limited in the upcoming period, in our view. Therefore, the CBRT may have recourse to additional means, such as limited cuts in RRRs approaching the year-end, in order to support economic activity through accelerated credit growth.

Real sector confidence promises improvement in manufacturing sectors. On the other hand, the seasonally-adjusted real sector confidence index increased to 102.9 in September, improving 0.9 percentage points over the previous month. Besides, sub-indices pertaining to production volume (next three months) and export orders (next three months) signal an improved outlook for manufacturing sector activity. While the former rose to 120.6 from 112.5, the latter increased to 119.4 from 117.0. On the other hand, the sub-index for stock of finished goods declined by 1.3 pp, pointing to an increase in stocks, following stock declines in July and August. Meanwhile, the total employment sub-index increased to 105.7 (up 2 pps over August), marking the first increase since April, while the sub-index regarding fixed investment expenditures declined 2.1 pps to 106.7 in September.

Interest rate broadly in-line with expectation in first auction of September The Treasury has issued a fixed-coupon bond maturing on 14 September 2022. In non-competitive sales, public institutions bought a TRY 1.564bn net bond, while primary dealers got TRY 404bn of the bond in return for a TRY 807mn offer. At the auction, market players demanded a net TRY 3.688bn of the bond, getting TRY 964mn. The average annual compound interest rate at the auction was 8.61%, broadly in-line with the 8.6% market expectation. The Treasury is to issue a new benchmark bond (fixed-coupon bond maturing on 24 September 2014) and to re-issue the zero-coupon bond maturing on 11 September, 2013, completing its domestic borrowing program. The Treasury will make a TRY 6.4bn redemption, of which TRY 5.9bn is to the market today.

Transport Minister Binali Yildirim has said that the government is set to issue a tender notice for the third Istanbul airport next month. Yildirim also denied that this would result in the closure of Ataturk Airport.

World Indices					
America	Previous	Last	Chg.	YTD	
Dow Jones (US)	13,580	13,559	-0.15%	10.98%	
Nasdaq (US)	3,180	3,161	-0.60%	21.33%	
S&P 500 (US)	1,460	1,457	-0.22%	15.85%	
Bovespa (Brasil)	61,320	61,910	0.96%	9.08%	
Merval (Argentina)	2,501	2,532	1.24%	2.81%	
Mexico Bolsa (Mexico)	40,339	40,339	0.00%	8.80%	
Europe	Previous	Last	Chg.	YTD	
Dax (Germany)	7,452	7,413	-0.52%	25.68%	
FTSE 100 (UK)	5,853	5,839	-0.24%	4.78%	
CAC 40 (France)	3,531	3,497	-0.95%	10.68%	
WSE WIG (Poland)	43,701	43,526	-0.40%	15.78%	
Prague (Czech Republic)	963	961	-0.27%	5.42%	
Budapest (Hungary)	18,637	18,701	0.34%	10.17%	
RTSI (Rusya)	1,522	1,513	-0.59%	9.62%	
Asia/Africa	Previous	Last	Chg.	YTD	
Nikkei (Japan)	9,110	9,069	-0.45%	7.26%	
Hang Seng (Hong Kong)	20,735	20,695	-0.19%	12.08%	
Shanghai Comp. (China)	2,025	2,027	0.09%	-7.56%	
KOSPI (South Korea)	1,990	2,002	0.60%	9.67%	
JSE Africa All Shr.(S.Africa)	36,206	36,206	0.00%	13.20%	
Turkdex (Set. Price)	Previous	Last	Chg.	YTD	
INX100 (OCTOBER 12)	68.100	67.500	-0.88%	29.62%	
INX30 (OCTOBER 12)	83.950	82.775	-1.40%	32.76%	
USD (OCTOBER 12)	1.804	1.808	0.19%	-5.66%	
EURO (OCTOBER 12)	2.347	2.332	-0.62%	-6.01%	
COTTON (OCTOBER 12)	3.495	3.495	0.00%	-9.10%	
WHEAT (SEPTEMBER12)	0.666	0.666	0.00%	7.25%	
GOLD (OCTOBER 12)	103.445	102.625	-0.79%	5.54%	
Portfolio Recommend.	Inclusio Date	Inclusio Price	Last Close	Chg. (%)	ISE Relative
Tofas	08.09.11	5.84	8.94	53.1%	25.8%
TAV Airports Holding	08.01.10	4.75	8.92	87.8%	53.6%
Garanti Bank	04.05.12	6.40	7.44	16.3%	2.5%
Turkish Airlines	01.06.12	2.52	3.95	56.7%	28.5%
Turkcell	04.05.12	8.83	11.20	26.8%	11.9%
Aksa Akriklik	10.01.12	3.90	4.71	20.8%	-10.4%
TSKB	21.09.12	1.93	1.99	3.1%	2.8%
Aygaz	24.08.12	8.44	7.90	-6.4%	-8.0%
Portfolio Yield					97.6%

*Starting date of portfolio 30/11/2004

Company News:

Regarding news appearing in the press, **Dogan Holding (DOHOL.TI; N/C)** has announced that it has not taken any solid steps regarding Greece's National Lottery, but that it would appraise the tender should it open.

Dogan Holding (DOHOL.TI; N/C) subsidiary Milta Turizm has signed an agreement with Ronisans REIT for the establishment of a new joint venture (50-50%) to operate in real estate projects.

As of August 2012, **Emlak Konut REIT (EKGYO.TI; Outperform)** has completed the sale of 4,818 units and posted sales of TRY 1.45bn. The company added that 331 units were sold in August alone, with TRY 113mn in sales revenue achieved. Additionally, Emlak Konut's CEO Murat Kurum announced yesterday that in the past week two projects had been launched; one in Maslak 1,453 (Agaoglu), and the other in Bahçetepe (Makro Yapi) with approx. 2,000 units sold and TRY 800mn in revenue generated.

Park Elektrik (PRKME.TI; Outperform) has announced receivables from its parent company Park Holding of TRY 200,614,907 as of June 30, 2012. The company plans to collect these receivables as its investments are fulfilled. The company added that the EMRA license for the Tarihler Hydroelectric Power Plant Project (50.5 MW) had been obtained, and that it was now awaiting approval of feasibility studies (Neutral).

Petkim (PETKM.TI; Market Perform) has announced that the legal procedure concerning the legal dispute with Buhar Enerji Yatirim Tic. A.S. is ongoing, adding that it had not received notification at this point.

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Pinar Et (PETUN.TI; N/C) and **Pinar Sut (PNSUT.TI; N/C)** are to distribute a 31% and 72.50% cash dividend beginning today.

According to the CMB weekly bulletin, **Say Reklamcilik Yapi Dekorasyon** has applied to the CMB for an initial public offering.

The CMB has announced that between 01.10.2012-31.12.2012, **Zorlu Energy (ZOREN.TI; Market Perform)**, **Anadolu Hayat Emeklilik (ANHYT.TI; N/C)**, **Coca Cola Icecek (COLA.TI; Market Perform)** and **Ege Endustri (EGEEN.TI; N/C)** would be included in the ISE-100 Index, while **Aksigorta (AKGRT.TI; N/C)**, **Kiler Gida (KILER.TI;N/R)**, **Tekstilbank (TEKST.TI; N/C)** and **Tek-Art Turizim (TEKTU.TI; N/C)** will be excluded from the Index. Meanwhile, **Trakya Cam (TRKCM.TI; Outperform)** will be included in and **Aksa (AKSA.TI; Outperform)** excluded from the ISE-50.

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